



## FAQs

# July 25, 2013 Compensation Changes Authorized by Chapter 806, 2013 Acts of Assembly, Item 468 Revised July 19, 2013

### Summary

Chapter 806, 2013 Acts of Assembly, authorizes the following compensation changes effective July 25, 2013:

- A 2% salary adjustment for state employees (full- and part-time classified and other salaried employees (appointed, at-will, and faculty employees));
- A salary compression adjustment of \$65 (\$70 for sworn employees of the Department of State Police) per full year of service for eligible classified and other salaried employees (excluding faculty) with at least five years of continuous salaried service; and
- Adjustment of the Commonwealth's classified salary structure of 2% at the minimum and 7% plus \$1,950 at the maximum.

Details and related instructions are provided throughout this document.

These compensation changes are contingent upon there being no downward adjustment in the Commonwealth's revenue forecast.

### Employee Eligibility

#### **1. Who is subject to the July 25, 2013 2% salary adjustment?**

*All classified and other salaried employees, except elected officials, who were employed in salaried positions as of April 24, 2013 and who received a rating of "Contributor" or "Extraordinary Contributor" on their last performance evaluation are eligible to receive a 2% salary adjustment effective July 25, 2013.*

#### **2. Who is NOT subject to the July 25, 2013 2% salary adjustment?**

*Employees who were hired after April 24, 2013 and employees who received a rating of "Below Contributor" on their last performance evaluation are not eligible to receive the 2% salary adjustment effective July 25, 2013. Please refer to additional guidance in Question 10.*

**3. Who is subject to the July 25, 2013 salary compression compensation adjustment?**

*Classified and other salaried employees, except elected officials, who received a rating of “Contributor” or “Extraordinary Contributor” on their last performance evaluation and who have completed at least five years of continuous service as of July 25, 2013 (i.e., those with state begin dates of July 25, 2008 or before) will receive a salary increase of \$65 per year of service, up to 30 years. Sworn employees of the Department of State Police will receive \$70 per year of service, up to 30 years, effective July 25, 2013.*

**4. Who is NOT subject to the July 25, 2013 salary compression compensation adjustment?**

*Employees who have not completed five years of continuous service as of July 25, 2013 (i.e., those with state begin dates after July 25, 2008) and employees who received a rating of “Below Contributor” on their last performance evaluation are not eligible to receive the salary compression compensation adjustment of \$65 or \$70 per year of completed service, up to 30 years, effective July 25, 2013.*

**UPDATED**

**5. Are faculty members eligible for these salary adjustments?**

*Faculty at public institutions of higher education are not included in the salary compression compensation adjustment. Instead, the Act authorizes an additional 1% increase for faculty, for a total increase of 3% effective July 25, 2013, provided that they meet the requirement for satisfactory performance.*

*Please note that the Appropriation Act states that "notwithstanding anything herein to the contrary, the governing authorities of those state institutions of higher education with employees not subject to the Virginia Personnel Act may implement salary increases for such employees that may vary based on performance and other employment-related factors."*

**6. Will employee performance ratings affect eligibility for these salary adjustments?**

*Yes. The fiscal year 2014 salary adjustments are performance-driven. Employees must have received a rating of “Contributor” or “Extraordinary Contributor” on their latest performance evaluation in order to be eligible to receive either the 2% salary adjustment or the salary compression compensation adjustment of \$65 or \$70 per year of completed service, up to 30 years, effective July 25, 2013.*

**NEW**

**7. Can written notices under the Standards of Conduct policy be used to deny these salary adjustments?**

*No. Written Notices were not included in the eligibility criteria approved by the Governor and Legislature. For this reason, and because written notices are issued for a wide range of infractions, they should not be used exclusively to deny the increase. If an employee's performance has declined to the extent that it is at the "Below Contributor" level, the supervisor should conduct an interim evaluation. Interim evaluations may be completed at any time before the July 18, 2013 file upload deadline.*

**8. Are employees whose ratings for the 2012 performance evaluation were recorded as "On Leave" eligible for these salary adjustments?**

*An entry of "On Leave" in the 2012 IPP database will not automatically disqualify an employee from receiving the 2% salary adjustment if the employee is in active status on July 25, 2013 and the employee's agency certifies that the employee meets the requirement for satisfactory performance. The employee must also meet the five-year service requirement in order to be eligible for the salary compression compensation adjustment. The FY14 Compensation Memorandum (<http://www.dhrm.virginia.gov/compensation/communication/memos.html>) outlines the steps for submitting an INCREASE-MANUAL-CERTIFY spreadsheet (listing agency/position/employee-ID) to notify DHRM of unrated employees whose performance qualifies them to receive the fiscal year 2014 salary adjustments. Agencies may upload the spreadsheet to HuRMan using the secure file upload utility or e-mail it to Nancy Tobin by July 18, 2013.*

*The impact on employees on leave on July 25, 2013 is discussed in Question 30.*

**9. Are employees whose performance was not rated in 2012 eligible for these salary adjustments?**

*Absence of a rating in the 2012 IPP database will not automatically disqualify an employee from receiving the 2% salary adjustment if the employee is in active status on July 25, 2013 and the employee's agency certifies that the employee meets the requirement for satisfactory performance. The employee must also meet the five-year service requirement in order to be eligible for the salary compression compensation adjustment. The FY14 Compensation Memorandum (<http://www.dhrm.virginia.gov/compensation/communication/memos.html>) outlines the steps for submitting an INCREASE-MANUAL-CERTIFY spreadsheet (listing agency/position/employee-ID) to notify DHRM of unrated employees whose performance qualifies them to receive the fiscal year 2014 salary adjustments. Agencies may upload the spreadsheet to HuRMan using the secure file upload utility or e-mail it to Nancy Tobin by July 18, 2013.*

**10. How should agencies treat employees whose performance has changed significantly since their 2012 evaluation so that their eligibility for the salary increases cannot reasonably be based on that evaluation?**

*The FY14 Compensation Memorandum (<http://www.dhrm.virginia.gov/compensation/communication/memos.html>) outlines*

*the steps for submitting INCREASE-MANUAL-BLOCK or INCREASE-MANUAL-UNBLOCK spreadsheets (listing agency/position/employee-ID) to notify DHRM of employees for whom increases should be blocked or unblocked based on significant changes in performance. Agencies are responsible for ensuring that sufficient documentation exists to support satisfactory performance for any employees who are unblocked or unsatisfactory performance for employees who are blocked. This documentation could include: interim evaluations; probationary progress review forms; and notice of sub-standard performance forms. Agencies may upload the spreadsheet to HuRMan using the secure file upload utility or e-mail it to Nancy Tobin by July 18, 2013.*

- 11. An employee hired on April 10, 2013 meets the employment date for eligibility for the 2% salary adjustment. Because this employee will not have a performance rating in the 2012 IPP database, how should the agency document that the employee meets the required performance level?**

*Agencies are responsible for ensuring that sufficient documentation exists to support satisfactory performance for newly-hired and other employees who have no rating in the 2012 IPP database. This documentation could include: interim evaluations; and probationary progress review forms. The FY14 Compensation Memorandum (<http://www.dhrm.virginia.gov/compensation/communication/memos.html>) outlines the steps for submitting an INCREASE-MANUAL-CERTIFY spreadsheet (listing agency/position/employee-ID) to notify DHRM of unrated employees whose performance qualifies them to receive the fiscal year 2014 salary adjustments. Agencies may upload the spreadsheet to HuRMan using the secure file upload utility or e-mail it to Nancy Tobin by July 18, 2013.*

- 12. Are employees whose positions are funded entirely by federal grants or other special funding sources subject to these salary changes?**

*As with other general, performance, or across-the-board increases that are funded in the state budget, the increase applies to employees whose positions are funded by grants or other special funding sources in addition to those funded by the General Fund.*

- 13. Are wage employees eligible for the 2% salary adjustment?**

*The base rates of pay for wage employees may be adjusted by up to 2% no earlier than July 25, 2013. The cost of such increases for wage employees shall be borne by existing funds appropriated to each agency.*

- 14. Are wage employees eligible for the \$65 or \$70 per year salary compression compensation adjustment?**

*Wage employees are intended to cover peak workloads and seasonal or short-term needs and are, therefore, not eligible to receive the salary compression compensation adjustment effective July 25, 2013.*

**15. Will employees whose salaries are at or near the maximum of their pay bands receive the 2% adjustment?**

*Yes, provided that they meet the required eligibility criteria.*

**16. Will employees whose salaries are frozen above the maximum of their current pay bands receive the 2% adjustment?**

*Yes, provided that they meet the required eligibility criteria. If an employee's salary is frozen at an amount that exceeds the maximum of the new pay band, the employee will receive a bonus rather than a salary increase for the amount in excess of the new pay band maximum.*

**17. Are employees retiring on August 1, 2013 eligible for the July 25, 2013 2% salary adjustment and salary compression compensation adjustment?**

*If an employee retiring on August 1, 2013 ceases employment on or before July 24, 2013 (the end of the July 10 through July 24, 2013 pay period), the employee is not eligible for the 2% salary adjustment or salary compression compensation adjustment effective July 25, 2013. However, if the employee's agency allows the employee to work through the end of the month, July 31, 2013, the employee will receive one or both increases effective July 25, 2013, provided that s/he meets all eligibility criteria. These employees' earnings for the July 25 through July 31 days are not VRS creditable compensation.*

**Effect on Employees' Compensation**

**18. How will this change affect my "take-home pay"?**

*Each employee's situation is somewhat unique, depending on his or her salary and the deductions that are taken from his or her paycheck. The higher annual salary will result in an increase in all payroll tax withholdings and other salary-based withholdings like Optional Life Insurance. Therefore, it is likely that the change in take-home amounts may vary somewhat among employees as a result of payroll deductions. **Note:** Optional Group Life withholding only changes on January 1 of each year, regardless of salary changes during the year.*

**19. When will I see the changes in my paycheck?**

*The 2% salary increase and the salary compression adjustment will first appear in the August 16, 2013 paycheck.*

**20. Can all or part of the salary adjustments be deposited into Deferred Compensation?**

*The July 25, 2013 salary adjustments become part of an employee's new regular salary. As such, part or all of the increase may be deferred, subject to VRS Defined Contribution Plan guidelines and limitations. The enrollment or change in contribution amount must be elected by July 31, 2013 in order for it to apply simultaneously with the salary increase (the August 16, 2013 paycheck). See plan information at [www.varetire.org](http://www.varetire.org) for instructions.*

**21. How will the 2% adjustment and the salary compression adjustment affect my retirement benefit calculation?**

*The 2% salary increase and \$65 or \$70 compression adjustment effective July 25, 2013 will increase employees' creditable compensation. Any future salary increases will be applied to this higher, July 25, 2013 salary. Therefore, any months beginning July 2013 that are included in an employee's Average Final Compensation (AFC) will increase the employee's retirement benefit accordingly.*

**22. Will this change affect my other benefits?**

*The salary increase amount is subject to payroll deductions for Social Security and Medicare as well as federal and state income taxes. This may result in an increase in an employee's future Social Security entitlement depending on his or her individual situation. It will also affect the rate used in calculating payments for accrued leave hours.*

**Calculating the Increases**

**23. Which increase will be applied first?**

*In accordance with Appropriation Act language, the 2% increase will be calculated and applied first. If the employee is also eligible for the salary compression adjustment, that amount will then be calculated and applied. The following example illustrates this calculation for an employee with a current salary of \$50,000 and 10 years of continuous service:*

$$\begin{aligned} \$50,000 + 2\% (\$1,000) &= \$51,000 \\ \$65 \times 10 \text{ years} &= \$650 \\ \text{Total new salary} &= \$51,000 + \$650 = \$51,650 \end{aligned}$$

*For a sworn officer of the Department of State Police, the calculation would be as follows:*

$$\begin{aligned} \$50,000 + 2\% (\$1,000) &= \$51,000 \\ \$70 \times 10 \text{ years} &= \$700 \\ \text{Total new salary} &= \$51,000 + \$700 = \$51,700 \end{aligned}$$

**24. How will the employee's new salary be calculated?**

*If PMIS indicates that an employee is employed 100% (40 hours per week for 12 months), PMIS will multiply the employee's current annual salary (including cents if there are any) by 1.02 and the result will be rounded to the nearest dollar (.5 and above rounds up). Then, the salary compression adjustment will be added to the result. If the employee is employed for less than 100% and 12 months, the salary compression adjustment will be prorated based on the employee's percent of full time with the calculated result being rounded to the nearest cent, just as part-time salaries are currently prorated in PMIS.*

**25. Is the 2% adjustment calculated on base pay or total state pay?**

*PMIS records for affected employees will automatically reflect a 2% adjustment to base state salary effective July 25, 2013. Special rate differentials and non-state salary supplements, which are entered into PMIS as annual salary amounts, will be adjusted by employees' agencies if appropriate.*

**26. Do special rates count toward the calculation of the salary adjustments?**

*Special rate differentials, which are entered into PMIS as annual salary amounts, will be adjusted by employees' agencies if appropriate. Agencies paying special rate differentials as flat amounts will determine whether or not to increase those amounts.*

**27. Do "non-state salary" supplements count toward the calculation of the salary adjustments?**

*The amounts of non-state salary supplements, which are paid to certain appointed employees as well as Virginia Department of Health employees in the northern Virginia area, are determined by non-state entities. Therefore, the amounts will not be increased automatically by 2% plus the compression adjustment effective July 25, 2013. Affected state agencies will need to process any adjustments to non-state supplements individually.*

**28. Does Temporary Pay count toward the calculation of the salary adjustments?**

*Temporary Pay is paid when an agency assigns an employee to perform different key (essential) duties on an interim basis, for critical assignments associated with a special time-limited project, or for employees serving in an acting capacity in a higher level position. Because these assignments are temporary, the additional pay associated with them is not creditable for retirement purposes. Therefore, these amounts will not be automatically adjusted effective July 25, 2013.*

## Processing the Increases

### **29. What sequence will be followed if there are other employee status changes effective July 25, 2013?**

*Actions such as promotions that are keyed into PMIS prior to July 25, 2013 to become effective on that date will be processed before the 2% adjustment and compression adjustment are applied. Such actions should be keyed into PMIS by the close of business on July 24, 2013. Promotions or other actions that change employees' salaries after July 25, 2013 should not be keyed into PMIS until after the 2% salary adjustment and compression adjustments have been applied.*

### **30. What happens to employees on leave?**

- a) *Otherwise qualified employees who are on short-term disability or other paid leave will receive the 2% salary adjustment and compression adjustment effective July 25, 2013.*
- b) *Employees on long-term disability-working will also have the 2% salary adjustment and compression adjustment applied to their current rates of pay **upon their full time return to work**. The adjustments do not apply to individuals who are on long-term disability-non-working.*
- c) *Employees on leave without pay are not eligible for the 2% salary adjustment or compression adjustment until they return to work or paid leave.*
- d) *Eligible employees on leave without pay-military will have their active military supplements adjusted to reflect the 2% salary adjustment and compression adjustment.*
- e) *The 2% salary adjustment and compression adjustment will not be automatically applied for any employee who has an overdue leave end-date in PMIS as of July 25, 2013. Agencies should review and update these employees' records on an individual basis and process their salary increases after their Return-to-Work transactions have been entered into PMIS.*

*NOTE: These rules are based on policies that apply to classified employees.*

### **31. What PMIS transaction should agencies use to update the salaries of employees on leave without pay or, for less than 12-month employees, who are not actively working on July 25, 2013, in order to grant the 2% salary adjustment and compression adjustment when they return to work?**

*The transaction PSE215 should be used to effect the increases for these employees on the appropriate effective date. A transaction to return the employees from leave should be entered before the PSE215 is entered.*

*In situations where there are over 100 employees to be entered, agencies may use the secure file upload utility in HuRMan to send a file for batch processing rather than keying in the PSE215 transactions. Agencies may send one batch file for all*

*of these employees (e.g., one file for those effective 8/10 and those effective 8/25, which DHRM could process on 8/10 and 8/25, respectively) or separate files for different effective dates where there are over 100 employees per file. Name your file INCREASE-UPLOAD. The batch file(s) can be either in Excel or a text file, but all fields must be text data type, retaining any leading zeros. Files should contain agency-number, position, employee-id, and effective-date (YYYYMMDD, e.g., 20130825) to fully identify the employee in PMIS. The salary adjustment will be calculated using the current base salary (see Question 24) in PMIS on the effective date.*

**32. How will the 2% salary adjustment and compression adjustment be processed for employees who are indicated in PMIS as working less than 12 months each year?**

*The salaries of employees in this group will not be processed automatically effective July 25, 2013, because PMIS will not know whether the employees are in an active employment period on that date.*

- a) For employees who are actively employed on July 25, 2013, agencies should process the increase effective on that date using the PSE215 transaction or by uploading a file as described in the answer to Question 31 above. Files to implement the July 25, 2013 increases should be submitted to DHRM no later than July 15, 2013 to ensure timely processing of the salary adjustments.*
- b) If there are employees in the above category (working less than 12 months and working on July 25, 2013) who will be paid part of their annual salary after their work period has been completed (e.g., work 10 months but paid over 12 months), agencies should apply the 2% salary adjustment and compression adjustment to their pay for the work performed beginning July 25, 2013 and to the additional pay due after their work periods have been completed. DOA will provide separate communication to agencies with employees in this category.*
- c) For employees who have completed their annual work period before July 25, 2013 and are not active on that date, agencies should effect the 2% salary adjustment and compression adjustment when the employees return to work.*

**33. Will DHRM provide data review files to PMIS agencies as were provided for the December 1, 2012 employee bonuses?**

*Yes, files will be delivered to the applicable agency HuRMan files and reports repository folders on 7/3, 7/9, 7/16, 7/23, and 7/26 as described below:*

- a) A bar-delimited file named INCREASE-agency-date.txt, listing PMIS employees eligible for the 2% salary adjustment and compression adjustment effective July 25, 2013, will be placed in agencies' HuRMan repository folders.*
- b) Another file, named INCREASE-12MO-agency-date.txt, will list those employees who are indicated in PMIS as working less than 12 months each*

year that will not be processed automatically effective July 25, 2013, because PMIS will not know whether the employees are in an active employment period on that date file as described in the answer to Question 32 above.

- c) A third file, named INCREASE-EXC-agency-date.txt, will list those employees whose salary increases will not be processed automatically because they are:
- excluded due to expired ordinary leave-with-pay return dates (record is tagged with message “LV-EXP”); **OR**
  - excluded due to their performance evaluation rating (record tagged with “BELOWC”); **OR**
  - blocked manually (record tagged with “MANUAL”) because the agency has included them on an INCREASE-MANUAL-BLOCK file submitted to indicate that their increases should not be processed.
- d) A fourth file, named INCREASE-BYPASS-agency-date.txt, will list those employees not listed above who will not have salary increases processed effective July 25, 2013 because the employees are indicated in PMIS as being on “Leave Without Pay” or having state begin dates later than April 24, 2013.

Agencies should review the reports for accuracy and completeness. For more information about the review files and to keep abreast of ITech’s broadcast messages, agencies can visit ITech’s website, <http://web1.dhrm.virginia.gov/itech/>.

## **Other**

### **34. Will the Commonwealth’s Salary Structure be adjusted?**

*Yes. The minimum for each salary band in the classified salary structure is being increased by two percent effective July 25, 2013. The maximum for each salary band is being increased by seven percent plus an additional \$1,950 also on July 25, 2013, for purposes of implementing the salary compression compensation adjustment. No salary increase shall be granted to any employee as a result of these actions.*

### **NEW**

### **35. What happens to employees who were hired after April 24, 2013 at salaries that will be below the new pay band minimums on July 25, 2013?**

*Agencies may apply pay practices under [DHRM Policy 3.05, Compensation](#), consistent with agency Salary Administration Plans, to adjust the salaries of these employees, if appropriate. In-Band Adjustments effective June 25, 2013 or later will count against to 10% limit for fiscal year 2014. However, DHRM will work with agencies where necessary to allow an additional 2% for employees hired at the pay band minimum during the April 25 to July 24, 2013 time period.*

**NEW**

- 36. What happens to employees whose salaries will fall below the new pay band minimums on July 25, 2013 due to “Below Contributor” performance that disqualifies them from the 2% salary adjustment?**

*Agencies should continue to monitor and document the performance of these employees through probationary progress reviews, interim evaluations, and the formal 2013 performance evaluation process. If employees’ performance improves to the “Contributor” level, agencies may apply pay practices under [DHRM Policy 3.05, Compensation](#), consistent with agency Salary Administration Plans, to adjust the salaries of these employees, if appropriate.*

**NEW**

- 37. How should agencies communicate the July 25, 2013 compensation changes to employees?**

*DHRM distributed an Employee Communication Strategy Guide on June 10, 2013. This guide provides suggested approaches for communicating the salary increases to classified and other salaried employees, excluding faculty, and includes talking points and letter templates based on the most common scenarios. Agencies may use this tool as necessary to meet their communication needs. The guide is also posted on our [website](#).*

- 38. Will there be a performance-based pay increase effective November 25, 2013, in addition to the July 25, 2013 2% salary adjustment and compression adjustment?**

*The General Assembly did not approve additional funding for performance increases effective November 25, 2013. Therefore, agencies, except for those excluded in Chapter 806, 2013 Acts of Assembly, Item 468, paragraph P.5, may not provide salary increases at that time based on performance during the October 25, 2012 through October 24, 2013 performance cycle.*

**Source: [The 2013 Appropriation Act \(2013 Virginia Acts of Assembly, Chapter 806, Item 468\)](#)**